

SECTION XII**INCOME MODEL APPROACH**

The income model approach includes models for the following property groups:

Apartments

Hotels/Motels

Retail Stores

Offices

Convenience Stores

Restaurants

Manufacturing/Warehouse

Mobile Home Parks

Income and expense models are developed for each property group to cover the range of properties located within Rutherford County.

Economic Income is developed on a gross square foot or unit basis. Potential gross income is adjusted for occupancy loss to produce an effective gross income. Income and occupancy factors may be adjusted for exceptional properties on an individual basis.

Expenses for management and marketing, maintenance, utilities and other operating expenses are specified as a percentage of effective gross income. Expenses are deducted from effective gross income to generate a net income, which is then capitalized using a band of investment technique.

Income models include associated capitalization parameters:

- a) Typical financing percentage rates and terms.
- b) Cash on cash requirements.

These capitalization parameters may be adjusted for lower or higher risk properties through an override of the indicated model rates. Capitalization rates are computed including an effective tax rate and applied to the net income to generate an indicated value.

HOTELS/MOTELS

EFFECTIVE DAILY ROOM RATE		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>EFFECTIVE RATE</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$85 – up PER NIGHT	25 – 50%	5 - 10%	25 - 50%	.10 - .12	1 – 3%
02	\$65 – 85 PER NIGHT	25 – 50%	5 – 10%	25 – 50%	.10 - .12	1 – 3%
03	\$50 – 65 PER NIGHT	25 – 50%	5 – 10%	40 – 65%	.11 - .13	1 – 3%
04	\$35 – 50 PER NIGHT	25 – 50%	5 – 10%	40 – 65%	.11 - .13	1 – 3%
05	\$15 – 35 PER NIGHT	25 – 50%	5 – 10%	50 – 75%	.12 - .15	1 – 3%

APARTMENTS

MONTHLY RENTAL RATE						EXPENSE RATIOS		CAPITALIZATION		
<u>MODEL #</u>						<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
	<u>2BR</u>	<u>3BR</u>	<u>4BR</u>							
01	400	500	600	750	900	3 – 10%	3 – 10%	25 – 40%	.09 - .10	6 – 7%
02	300	400	450	550	650	3 – 10%	3 – 10%	25 – 40%	.09 - .10	6 – 7%
03	250	300	350	450	550	3 – 10%	3 – 10%	25 – 40%	.10 - .11	7 – 8%
04	200	200	250	350	450	5 – 10%	3 – 10%	30 – 40%	.10 - .11	7 – 8%
05	150	150	200	300	400	5 – 10%	3 – 10%	30 – 40%	.11 - .12	8 – 10%

RETAIL STORE

ANNUAL SQUARE FOOT RENT		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$12 - \$20 PER SQ/FT	0 - 5%	5 - 10%	10 - 20%	.10 - .11	N/A
02	\$8 - \$12 PER SQ/FT	3 - 5%	5 - 10%	10 - 25%	.10 - .11	N/A
03	\$6 - \$8 PER SQ/FT	3 - 5%	5 - 10%	15 - 35%	.11 - .12	N/A
04	\$4 - \$6 PER SQ/FT	5 - 10%	5 - 10%	25 - 40%	.12 - .13	N/A
05	\$2 - \$3 PER SQ/FT	10 - 25%	5 - 10%	30 - 50%	.13 - UP	N/A

OFFICES

ANNUAL SQUARE FOOT RENT		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$15 - \$25 PER SQ/FT	0 - 3%	5 - 10%	10 - 20%	.09 - .10	N/A
02	\$10 - \$14 PER SQ/FT	3 - 5%	5 - 10%	10 - 25%	.09 - .10	N/A
03	\$6 - \$9 PER SQ/FT	3 - 5%	5 - 10%	25 - 35%	.10 - .11	N/A
04	\$4 - \$6 PER SQ/FT	5 - 10%	5 - 10%	25 - 40%	.11 - .12	N/A
05	\$2 - \$4 PER SQ/FT	5 - 10%	5 - 10%	30 - 50%	.13 - UP	N/A

CONVENIENCE STORES

ANNUAL SQUARE FOOT RENT		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$12 - \$20 PER SQ/FT	0 - 3%	5 - 10%	15 - 25%	.09 - .10	N/A
02	\$9 - \$11 PER SQ/FT	3 - 5%	5 - 10%	15 - 25%	.10 - .11	N/A
03	\$6 - \$8 PER SQ/FT	3 - 5%	5 - 10%	20 - 30%	.11 - .12	N/A
04	\$3 - \$5 PER SQ/FT	5 - 10%	5 - 10%	30 - 50%	.13 - UP	N/A

RESTAURANTS

ANNUAL SQUARE FOOT RENT		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$15 - \$25 PER SQ/FT	0 - 5%	5 - 10%	10 - 25%	.09 - .10	N/A
02	\$12 - \$15 PER SQ/FT	5 - 10%	5 - 10%	15 - 25%	.09 - .10	N/A
03	\$9 - \$12 PER SQ/FT	5 - 10%	5 - 10%	20 - 30%	.10 - .11	N/A
04	\$6 - \$9 PER SQ/FT	5 - 10%	5 - 10%	25 - 40%	.10 - .11	N/A
05	\$4 - \$6 PER SQ/FT	5 - 10%	5 - 10%	30 - 50%	.11 - .UP	N/A

MANUFACTURING/WAREHOUSE

ANNUAL SQUARE FOOT RENT		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$2.50 - \$4.00 SQ/FT	0 - 10%	5 - 10%	15 - 25%	.10 - .11	N/A
02	\$1.75 - \$2.50 SQ/FT	5 - 10%	5 - 10%	20 - 30%	.11 - .12	N/A
03	\$1.25 - \$1.75 SQ/FT	5 - 10%	5 - 10%	25 - 40%	.12 - .13	N/A
04	\$.75 - \$1.25 SQ/FT	10 - 25%	5 - 10%	30 - 50%	.13 - UP	N/A

MOBILE HOME PARKS

		EXPENSE RATIOS			CAPITALIZATION	
<u>MODEL #</u>	<u>ECONOMIC RENT PER SITE</u>	<u>VACANCY</u>	<u>MGMT</u>	<u>EXPENSES</u>	<u>CAP RATE</u>	<u>GRM</u>
01	\$150 - \$250 PER MONTH	3 - 5%	5 - 10%	25 - 40%	.10 - .11	3 - 5%
02	\$100 - \$150 PER MONTH	3 - 5%	5 - 10%	25 - 40%	.10 - .11	3 - 5%
03	\$60 - \$100 PER MONTH	5 - 10%	5 - 10%	25 - 50%	.11 - .12	3 - 5%
04	\$35 - \$60 PER MONTH	10 - 15%	5 - 10%	25 - 50%	.11 - .12	3 - 5%

